

California Land Conservation Act (CLCA) Property

General

The California Land Conservation Act (CLCA) of 1965, also known as the Williamson Act, enables local governments to enter into contracts with private landowners for the purpose of restricting specific parcels of land to agricultural or related open space use. CLCA was enacted in an effort to preserve agricultural lands for the production of food and fiber and to discourage noncontiguous urban development. It was an attempt to slow down the increase in real property taxes on farmland by providing methods for restricting land use to agricultural purposes.

[Article XIII, section 8](#) of the California Constitution provides that to promote the conservation, preservation, and continued existence of open space lands, the Legislature may define open space land and shall provide that when this land is enforceably restricted, it shall be valued for property tax purposes only on a basis that is consistent with its restrictions and uses. In addition, [section 430](#) provides that there is a rebuttable presumption that the present use of open-space land, which is enforceably restricted and devoted to agricultural use, is its highest and best agricultural use.

[Section 423\(a\)](#) provides that when valuing enforceably restricted open-space land, the assessor shall not consider sales data on lands, whether enforceably restricted or not, but shall value these lands by the capitalization of income method. In accordance with [section 423\(d\)](#), enforceably restricted lands are assessed at the lowest of the following three values: (1) current restricted value, (2) current fair market value, or (3) factored base year value, as if unrestricted. In most cases, the restricted value is the lowest of the three values.

CLCA contracts are for a minimum of ten years. However, CLCA contracts automatically renew each year, unless the landowner or the local government wishes to end the contract. The contract may be terminated when either the landowner or the local government initiates the nonrenewal process, or when the landowner petitions for a contract cancellation.

In addition to CLCA contracts, a county may have adopted the provisions of [section 423.4](#), allowing for Farmland Security Zone (FSZ) contracts. [Section 423.4](#) provides that land subject to an FSZ contract shall be valued for assessment purposes at 65 percent of the restricted value or 65 percent of the factored base year value, whichever is lower. FSZ contracts are for a minimum of 20 years, and are automatically renewed, unless the landowner or local government wishes to end the contract. These rolling 20-year contracts provide greater protection for agricultural lands by allowing greater tax benefits for farmland owners.

A detailed discussion regarding the assessment of CLCA property can be found in [Assessors' Handbook Section 521, Assessment of Agricultural and Open-Space Properties \(AH 521\)](#).

Scope of Review

The BOE's assessment practices survey includes a review of the assessor's practices and procedures for the assessment of CLCA properties.

The specific areas of review may include, but are not limited to, the following:

General Program Elements

- Does the county have an ordinance allowing for CLCA zoning, agricultural preserves, and/or farmland security zones (FSZ)?
- Does the county's CLCA contract allow restricted assessment of nonliving improvements?
- Does the county's CLCA contract provide for a minimum annual income per acre to be capitalized pursuant to [section 423\(a\)\(3\)](#)?
- What compatible uses are allowed, if any, on restricted land as provided in the county's CLCA contract?
- Has the county adopted a resolution or ordinance in accordance with [section 423.3](#), which allows the assessor to limit the assessment of CLCA properties to a value no higher than a given percentage of the property's factored base year value, as if unrestricted? If so,
 - What is the allowed percentage to be applied to the factored base year value?
 - Is there a different percentage allowed for prime land versus non-prime land?
- Has the county adopted the provisions of Assembly Bill 1265, which allows the county to shorten the length of the CLCA contract from 10 years to 9 years, and for FSZ contracts, from 20 years to 18 years?
- How many parcels, number of acres, number of contracts, and total assessed values for active:
 - CLCA contracts
 - FSZ contracts
 - Open-Space Easements
 - Agricultural Conservation Easements
 - Wildlife Habitat contracts
 - Scenic Restrictions

Valuation of Restricted Portion

- In general, how does the assessor value CLCA properties?
- Does the assessor's CLCA valuation process comply with all county ordinances, resolutions, and/or contract provisions?
- Are CLCA values calculated using a computer program or are they manually performed?
- Does the assessor send out annual CLCA rent and production questionnaires to all property owners of agricultural properties in the county?
- Land:
 - Does the assessor calculate and track each of the following values to make the three-way comparison in order to enroll the lowest of the three values in accordance with [section 423\(d\)](#)?

- Current restricted value?
 - Current market value?
 - Factored base year value?
 - How does the assessor develop the capitalization rate to be used in the restricted value calculation?
 - Does the assessor use the interest component determined by the BOE each year?
 - How does the assessor determine the risk rate to use when developing the capitalization rate?
 - Does the assessor use the same risk rate for all property types or does it vary?
 - Does the assessor have a risk rate study?
 - Does the assessor include a property tax component when developing the capitalization rate?
 - What rate does the assessor use for the property tax component? Actual tax rate area where the property is located or something else?
 - Does the assessor use the actual land rent reported by the property owner to represent economic rent? If not, how does the assessor determine economic rent?
 - What expenses does the assessor deduct from the income to be capitalized?
 - Does the assessor include income from existing compatible uses when calculating the income to be capitalized?
 - Are there any grazing lands located in the county that are subject to CLCA contracts? If so, how does the assessor assign economic rent to grazing land?
 - On a per-acre basis? Or
 - By carrying capacity (Animal Unit Month (AUM))?
- Living Improvements:
 - How does the assessor estimate the income attributable to trees and vines?
 - Cash rent?
 - Share rent? If so,
 - Where does the assessor get production figures from - owner's CLCA questionnaire, county crop report, crush report, or other source?
 - Owner-operator production figures?
 - When applying the income approach to CLCA orchards and vineyards, what method of capitalization does the assessor use to value trees and vines?
- Nonliving Improvements:
 - If the county's CLCA contract allows for restricted assessment of nonliving agricultural improvements, how does the assessor attribute income to them?

Valuation of Unrestricted Portion

- Nonliving Improvements:
 - Does the assessor treat unrestricted nonliving improvements as a separate appraisal unit apart from the restricted land?
 - When restricted land changes ownership, does the assessor enroll a new base year value for the unrestricted nonliving improvements and issue supplemental assessments?
- Residences and Homesites:
 - Does the assessor treat residences and homesites on restricted land as a separate appraisal unit subject to the provisions of [article XIII A](#) of the California Constitution?
 - How does the assessor determine the base year value of a newly created homesite located on restricted land?
 - Does the county have any agricultural laborer housing on restricted land? If so, how does the assessor value such housing along with its homesite?

Nonrenewals

- How many parcels, number of acres, number of contracts, and total assessed values are in nonrenewal?
- Does the assessor properly apply the provisions of [section 426](#) when valuing properties in nonrenewal status?

Cancellations

- How many contracts, if any, have been cancelled in recent years?
- Does the assessor correctly determine the cancellation value of the land and correctly determine the cancellation fee when a contract is cancelled?
- Does the assessor advise the property owner and the Department of Conservation of the cancellation value and the right to request a formal review of that value?
- Has the assessor received any requests for formal review of a cancellation value in recent years? If so, what was the assessor's procedure for handling such a request?
- When a local government acquires contractually restricted land located outside that local government's boundaries, does the assessor cancel the CLCA contract?